

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 94-563-C - ORDER NO. 94-1248 ✓
DECEMBER 7, 1994

IN RE: Request of Southern Bell Telephone &) ORDER
Telegraph Company for Approval of Sale) APPROVING
and Transfer of Assets to Arch Southeast) TRANSFER
Communications, Inc. DBA PAGESOUTH.)

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Application of Southern Bell Telephone & Telegraph Company (Southern Bell or the Company) for approval to sell and transfer certain assets to Arch Southeast Communications, Inc. DBA PAGESOUTH. Southern Bell proposes to sell and transfer the assets used in one way paging and/or personal signaling business located in the local exchange areas of Columbia, Charleston, Greenville, and Florence, South Carolina.

By letter dated September 7, 1994, the Commission's Executive Director requested that Southern Bell publish, at its own expense, a Notice of Filing in newspapers of general circulation in the affected areas, one time, and to provide the Executive Director proof of publication. Southern Bell published the required Notice. There were no Protestants or Intervenors.

Pursuant, however, to S.C. Code Ann. §58-9-310 (1976), as amended, the Commission held a hearing on this matter on November 30, 1994, with the Honorable Rudolph Mitchell presiding. William

F. Austin, Esquire, represented the Applicant Southern Bell; and F. David Butler, General Counsel, represented the Commission Staff.

Southern Bell presented the testimony of Carl Brackett, Manager, Interconnection Services. Brackett testified that he had the responsibility for various paging systems in the BellSouth region. Brackett testified that the Company was seeking approval from the Commission to sell the paging assets owned by Southern Bell to PAGESOUTH, and to thereafter, discontinue personal signaling service as a Southern Bell offering from the Columbia, Charleston, Greenville, and Florence areas.

Brackett testified that, since Southern Bell entered the paging business in the early 1980's there have been significant changes in the market due to increased competition from radio common carriers and private carrier pagers. Brackett stated that private carrier pagers are sanctioned by the Federal Communications Commission (FCC) but historically have not been regulated by the states, including South Carolina, and that therefore, they have more flexibility in their rates and in other matters. According to Brackett, this change in the market caused a significant decline in the number of Southern Bell's paging customers and in operating margins. Further, Brackett notes the passage of the Omnibus Budget Reconciliation Act of 1993 on August 10, 1994, which preempted state and local governments from regulating entry of any commercial mobile service or any private mobile service into the market. According to Brackett, this Act

will allow additional paging providers in competition across all markets in South Carolina. Brackett testified that the Company is convinced that operating margins in the paging area will further decline in the future, and it will be increasingly difficult for paging to provide a positive contribution to basic exchange service. Brackett stated that the sale and transfer to PAGESOUTH will be transparent to the customers that PAGESOUTH currently bills, collects, handles administrative duties, and provides paging units to the customers that use the Southern Bell network. Brackett testified that customers of the Company will not experience an increase in rates as a result of the sale and transfer.

The assets to be sold to PAGESOUTH include the five (5) transmitters used for the provisioning of paging in the Charleston area. Transmitters in other areas belonging to BellSouth will be dismantled and disposed of. According to Brackett, Southern Bell will also request the FCC to transfer their radio authorization of the specific paging frequency to PAGESOUTH. PAGESOUTH has agreed to purchase the South Carolina and North Carolina paging system contingent upon approval by both state Commissions. The North Carolina sale and transfer has recently been approved by the North Carolina Public Utilities Commission. Brackett notes that the sale of the paging line of business will result in an approximate gain of \$127,900 to Southern Bell that will be recorded in Account 7160 of the Operating Gains and Losses. This Gain will be included in Southern Bell's combined operating income upon

completion of the transaction and will be allocated to South Carolina intrastate operations in accordance with normal separations procedure. Southern Bell, according to Brackett, is proposing to sell its paging line of business in South Carolina for \$224,500. The equipment to be sold has an approximate original cost of \$644,800 and estimated accumulated depreciation of \$636,620. Fair market value of the plan is estimated at \$96,000. For accounting purposes, a fair market value will be recorded as salvage. The associated plant retirement will result in a net reduction of Southern Bell's combined rate base in the amount of the salvage entry of \$96,600. The retirement entries will also result in approximate reduction of \$636,620 in Southern Bell's combined depreciation reserve.

The Commission has examined this matter and believes that the transfer of the paging assets to PAGESOUTH from Southern Bell is reasonable, and in the public interest. Obviously, increased competition in the paging area has reduced the value of Southern Bell's paging business considerably. Also, it appears to this Commission to be reasonable to grant the request to discontinue personal signaling service as a Southern Bell offering from the Columbia, Charleston, Greenville, and Florence areas as requested by the Company.

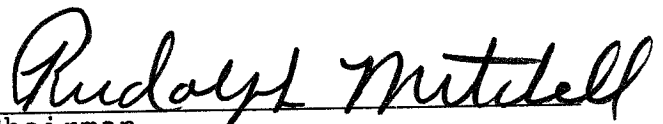
IT IS THEREFORE ORDERED THAT:

1. Southern Bell may discontinue personal signaling service as a Southern Bell offering from the Columbia, Charleston, Greenville, and Florence areas.

2. The sale of Southern Bell's paging assets to Arch Southeast Communications, Inc. DBA PAGESOUTH is approved, as are the accounting treatments proposed by the Company.

3. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)